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MORE **TOGETHER**





We'd like to thank our primary sponsor  
**Merck & Co., Inc.**  
for their continued support of Merck  
Sharp & Dohme Federal Credit Union.

# 2018 COMMUNITY EVENTS

### **Raised \$16,000 for Sebastian Riding Associates & The Shepherd's Shelf**

MSDFCU held its 19th Annual Cow Plop to benefit Sebastian Riding Associates and The Shepherd's Shelf. Sebastian Riding Associates offers equine-assisted therapy programs for children and adults living with various disabilities. The Shepherd's Shelf is a food pantry. With this donation, the Credit Union's 19-year total contribution to the community from the Cow Plop is over \$350,000.

### **Raised \$13,000 for Homeless**

MSDFCU held its 20th Annual Charity Golf Open at the Mainland Golf Course. The event raised \$13,000 for Bridge of Hope Buxmont, a Lansdale-based charity working to break the cycle of homelessness. With this donation, the Credit Union's 20-year total contribution to charities from the Golf Open is now over \$200,000.

### **Adopt-A-Highway**

Our staff volunteers cleaned a stretch of local highway spanning two miles of a busy section of County Line Road between Route 202 to Route 309. During three weekend events, employees volunteered, some multiple times, to participate in the clean-up sessions. This is the ninth year MSDFCU has committed to the Adopt-A-Highway program.

### **KidCare ID Program**

During the annual Lansdale Day community event, we provided over 100 children with an updated photo ID. As a draw to get children and parents to stop at the booth, each child could enter a drawing for a gift card valued at \$100. We divided the children into three age groups and randomly selected one child to win from each category.

### **Shredding Days**

To help members prevent identity theft, MSDFCU held three shredding days this past year at different branches. All events were well attended, and members thanked the staff for hosting this valuable service. All shredded material was sent off to be recycled.

### **Collected Money and Supplies for Bucks County SPCA**

For the fifteenth year in a row, we collected money in jars for the Bucks County SPCA, along with blankets, sheets, towels, pet food, pet toys and whatever else members donated including two car loads of items: 15 bags of dog/cat food, plastic buckets, blankets, litter, treats, and more.

### **Employee Community Involvement**

Each month, a different charity is featured, and staff members are asked to donate what is needed by the charity. The initiative kicked off in 2013 and benefitted nine local charities in 2018.

### **PA Hero Walk**

This year, MSDFCU offered its employees a match to walk in the PA Hometown Hero Walk and up to \$20 in matching pledges for any relatives of employees participating. Over \$1,000 was contributed by MSDFCU employees walking for a great cause. The PA Hero Walk benefits the Wounded Warrior Project. The organization was formed to help service men and women adapt to everyday life. These heroes face daily mental and/or physical challenges. The PA Hometown Hero Walk was started by one of MSDFCU's members to help raise funds for the Wounded Warrior Project.

### **Wissahickon Valley Watershed Association Clean Up**

For the past several years, our staff has partnered with our main sponsor, Merck, Co., to help with the Wissahickon Valley Watershed Creek Clean Up. Our employees volunteer their time on a Saturday morning and wade through the edges of the stream to collect debris and help keep the watershed pure.

### **Jeans Day – North Penn School District**

Jeans Day is where everyone is encouraged to wear jeans to work for a \$5 donation. This year the proceeds went to the North Penn School District lunch program. The \$185 raised was matched by MSDFCU. The school used the money to make sure that no child goes without a lunch.

### **Blood Drive**

In 2018, we held our second American Red Cross Blood Drive for employees, members and our local community. We met our goal of participation with a collection of 27 units of blood.

### **Dog Walk**

In conjunction with the New Britain Charitable Foundation, we held our first Dog Walk in Collegeville to benefit the Montgomery County SPCA. Children's activities included a pet photo booth, sand art and a dinosaur dig. Teddy, a therapy dog from the Montgomery County SPCA, and various pet vendors were on hand to greet fellow dogs and their walkers. Hot dogs, pretzels and water were available for attendees. The walk raised \$1,000 for the SPCA.



# CHAIRMAN'S REPORT

We take time to look back at 2018 with a keen eye on the foundations and strategies your Credit Union has established for measured success in 2019 and beyond. Strong financial indicators for the Credit Union in 2018 have positioned us for investing in valuable financial tools. Technological advances will be aimed at delivering an easy, engaging Member experience, enhancing the Member “in-branch” experience, and assuring these technologies are made available to our Members when needed. We applaud the efforts of your Credit Union’s tireless staff and leadership, without whom none of our visions and goals would be realized.

We are committed to seeking opportunities to capitalize on returning value to your Membership in the form of industry-leading products, service and technology platforms. We encourage you to join us in our mission as we engage deeply in seeking to understand the needs of our Members, now and in the future. On behalf of the Board of Directors of MSDFCU, thank you for your continued investment in our Credit Union’s success. Our future depends on it!

**Jeffrey James**  
Chairman, Board of Directors



**JEFFREY JAMES**  
CHAIRMAN

# EXECUTIVE COMMITTEE AND PAST CHAIRMEN

## EXECUTIVE COMMITTEE



**JEFFREY JAMES**  
CHAIRMAN



**JOSEPH ROBINSON**  
1ST VICE CHAIRMAN



**ROBERT MUZSLAY**  
2ND VICE  
CHAIRMAN



**THOMAS EISENBERGER**  
TREASURER



**NANCY JAMES**  
SECRETARY

## PAST CHAIRMEN OF THE BOARD

**1950-1970**  
Raymond O. Hoffman  
**1970-1973**  
William E. Gadd  
**1973-1976**  
John D. Stevens  
**1976-1979**  
Joseph G. Robinson  
**1979-1982**  
Kenneth L. Brehm, Sr.  
**1982-1985**  
W. Andrew McPherson

**1985-1986**  
Peter Nebenfuhr  
**1986-1989**  
Thomas D. O'Connor  
**1989-1992**  
W. Andrew McPherson  
**1992-1993**  
John D. Stevens  
**1993-1994**  
W. Andrew McPherson  
**1994-1995**  
John D. Stevens

**1995-1996**  
Carter LeBrocq  
**1996-2001**  
Bonnie Folgias  
**2001-2004**  
Marjorie D. Reed  
**2004-2012**  
W. Andrew McPherson

# BOARD OF DIRECTORS



JEFFREY JAMES  
CHAIRMAN



JOSEPH ROBINSON  
1ST VICE CHAIRMAN



ROBERT MUZSLAY  
2ND VICE  
CHAIRMAN (A)



THOMAS EISENBERGER  
TREASURER (A, N)



NANCY JAMES  
SECRETARY



DONALD BAINES  
(N)



PETER ALBERTI



JOHN FRAZZETTE



MICHELINE MARSHALL  
(A)



KEVIN STAUFFER

## Director Emeriti

John Becker  
Andy Pinckney  
Rev. Dr. Marjorie Duncan Reed  
Bonnie Folgia

## Standing Committees

A: Asset/Liability Management  
N: Nominating

# TREASURER'S REPORT

The stock market disappoints as the Dow, S&P and NASDAQ posted all-time highs; however, all retreated significantly by year-end, posting reductions for the year of 5.6%, 6.2% and 3.9%, respectively. The U.S. unemployment rate bottomed out at 3.7%, the lowest in 50 years, and ended the year at 3.9%. The Federal Reserve raised interest rates four times during the year by a total of around 100 basis points. The majority of Americans enjoyed the first year of tax cuts that also contributed to job growth.

Merck Sharp & Dohme Federal Credit Union (MSDFCU) continued to grow as Total Assets increased to \$554.1 million. This represented an increase of \$20.8 million or 3.9% from 2017. Net Income for the year was \$4.6 million, up \$2.1 million or 82.0% from 2017, primarily related to increased interest income on loans due to more loans and higher interest rates. The Net Worth to Asset Ratio, the primary measure of a credit union's financial strength, increased to 10.36%. Note: a 7% or higher rate indicates a "well capitalized" credit union according to the National Credit Union Administration (NCUA). This is our highest rate in 20+ years and puts MSDFCU in a strong financial position. Total Shares grew by \$17.5 million or 3.7%, while Total Loans granted during the year increased \$10.3 million or 12.3%, driven by a 48.2% increase in auto loans.

As stated in the Supervisory Committee's report, MSDFCU continued to provide value to our members and remains a sound financial institution from a regulatory perspective as evidenced by our internal and external auditors' opinions.

Similar to last year, 2019 brings many unknowns that will potentially impact the financial markets, job growth and, correspondingly, our lives. Early this year, the Federal Reserve signaled a possible pause in their pattern of consistently raising interest rates, much different than the guidance provided late in 2018. There are many significant open items that will impact the economy, such as trade negotiations with China, sanctions on Iran, Brexit, continued talks with North Korea and an already crowded field for the 2020 presidential elections. With all this uncertainty, one thing you can count on is that MSDFCU will be there for our members, fully prepared to assist with all your financial needs and offering a broad array of financial products and services with competitive rates and excellent service.

The Board of Directors, Supervisory Committee, Management Team and Staff appreciate the trust you place in MSDFCU. We look forward to providing continued value while assisting you in meeting your financial goals. It has been my privilege to serve this year as your treasurer.

**Thomas Eisenberger**  
Treasurer



THOMAS  
EISENBERGER  
TREASURER

# FINANCIAL STATEMENTS

Year Ending December 31, 2018, Unaudited

| BALANCE SHEET                            | 2018                 | 2017                 |
|--|----------------------|----------------------|
| ASSETS                                   |                      |                      |
| Loans                                    | \$331,898,458        | \$304,049,092        |
| Allowance for Loan Losses                | (805,673)            | (835,673)            |
| Net Loans                                | 331,092,785          | 303,213,419          |
| Cash and Cash Equivalents                | 52,663,595           | 40,112,499           |
| Deposits in Other Financial Institutions | 2,000,000            | 3,000,161            |
| Investments                              | 140,295,974          | 159,596,146          |
| Furniture and Fixtures                   | 7,409,229            | 7,584,479            |
| Other Assets                             | 20,602,719           | 19,806,201           |
| <b>Total Assets</b>                      | <b>\$554,064,302</b> | <b>\$533,312,905</b> |
| LIABILITIES AND EQUITY                   |                      |                      |
| Shares                                   | \$145,379,205        | \$134,507,509        |
| IRA Shares                               | 11,975,737           | 12,728,642           |
| Share Certificates                       | 81,994,218           | 78,699,154           |
| Money Markets                            | 163,589,382          | 165,582,643          |
| Share Drafts                             | 92,175,986           | 86,060,667           |
| Borrowings                               | -                    | -                    |
| Accounts Payable                         | 3,749,783            | 3,911,234            |
| Regular Reserves                         | 3,825,775            | 3,825,775            |
| Undivided Earnings                       | 51,374,216           | 47,997,281           |
| <b>Total Liabilities and Equity</b>      | <b>\$554,064,302</b> | <b>\$533,312,905</b> |

| STATEMENT OF INCOME                                 | 2018                | 2017                |
|---|---------------------|---------------------|
| INTEREST INCOME                                     |                     |                     |
| Income from Loans                                   | \$12,870,000        | \$10,689,846        |
| Investment Income                                   | 4,309,222           | 4,138,043           |
| <b>Total Interest Income</b>                        | <b>\$17,179,222</b> | <b>\$14,827,889</b> |
| INTEREST EXPENSE                                    | \$2,048,548         | \$1,605,525         |
| Net Interest Income                                 | \$15,130,674        | \$13,222,364        |
| PROVISION FOR LOAN LOSSES                           | \$463,294           | \$687,619           |
| Net Interest Income After Provision for Loan Losses | \$14,667,380        | \$12,534,745        |
| NON-INTEREST INCOME                                 |                     |                     |
| Service Charges and Fees                            | \$1,308,239         | \$1,103,692         |
| Other Non-Interest Income                           | \$3,322,951         | \$2,969,826         |
| Net Gain on Sale of Loans                           | \$49,741            | \$153,761           |
| Total Non-Interest Income                           | \$4,680,931         | \$4,227,279         |
| NON-INTEREST EXPENSE                                |                     |                     |
| Employee Compensation and Benefits                  | \$7,278,893         | \$6,895,140         |
| Office Occupancy and Operations                     | 2,785,204           | 2,835,941           |
| Other Operating Expenses                            | 4,641,092           | 4,479,146           |
| Total Non-Interest Expense                          | \$14,705,189        | \$14,210,227        |
| <b>Net Income</b>                                   | <b>\$4,643,122</b>  | <b>\$2,551,797</b>  |

# CEO'S REPORT

I am pleased to report your Credit Union had another very successful year.

Our net income was at an all-time high, adding to strong Capital reserves. This allows us to provide you with advanced technology and the ability to add new services such as additional branches.

We continue working diligently to open a branch in Quakertown. Our landlord has one more permit to obtain before construction begins. We expect construction to start in early Spring 2019, allowing us to open our branch in the beginning of 2020.

Through our newly formed New Britain Charitable Foundation, we raised \$32,260 to support charities in our local communities. The Pennsylvania Credit Union Association (PCUA) recognized our efforts by awarding us their Dora Maxwell Social Responsibility Service Award. Speaking of awards, we were also presented with the PCUA Louise Herring Award for Philosophy in Action, given for internal programs and services that benefit our members. We also received the PCUA's Desjardins Financial Education Awards for both our adult and youth financial literacy programs. Finally, the PCUA recognized our Marketing Department with awards for Best Website, Best Newsletter, Best Annual Report and Best Advertising Campaign for our M-Power campaign. The most important accolades we received were from you, our members: Best of BuxMont – Credit Union, Best of BuxMont – Mortgages, Best of BuxMont – Financial Advisor and Best of MontCo – Credit Union. As you can see, we are very proud to receive these honors, and I thank you for your trust and confidence by voting for us.

The future of banking involves technology. We introduced Palm Secure ID, which can authenticate members by reading their palms. There are five million touch points in your palm. This eliminated the necessity of saying your account number to our tellers, providing more security. After successful authentication, your balances populate on a tablet at the teller station. This provides you added security as it eliminates the need to voice your balances. We also instituted a 24/7 call center. You can call us 24/7, 364 days a year (excluding Christmas) for answers to your banking needs. Lastly, we added real-time alerts to our Home Banking Product, including alerts if your account goes below a certain balance, if your email address changes, when a payment is posted, and many others.

Thank you for being a loyal member and, as always, we want to be your preferred financial institution for life.

**David B. Whitehead**  
CEO



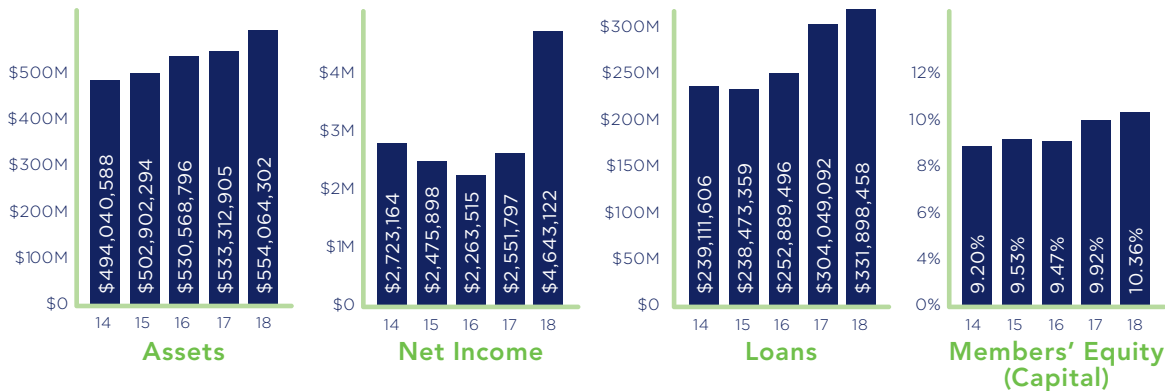
**DAVID B. WHITEHEAD**  
CEO

# ANALYSIS OF LOANS GRANTED

Year Ending December 31, 2018

| PURPOSE OF LOAN          | NUMBER       | TOTAL AMOUNT (IN THOUSANDS) |
|--------------------------|--------------|-----------------------------|
| New Automobiles          | 406          | \$12,598                    |
| Used Automobiles         | 962          | 20,567                      |
| Home Equity Lines        | 128          | 4,363                       |
| Second Mortgages (Fixed) | 289          | 20,271                      |
| Personal Loans           | 463          | 5,935                       |
| Overdraft Lines          | 54           | 784                         |
| First Mortgages          | 77           | 20,361                      |
| Student Loans            | 30           | 1,739                       |
| Business Loans           | 27           | 4,078                       |
| Credit Cards             | 422          | 2,803                       |
| <b>Total</b>             | <b>2,858</b> | <b>\$93,499</b>             |

# FINANCIAL TRENDS





## SUPERVISORY COMMITTEE'S REPORT

The Merck Sharp & Dohme Federal Credit Union (MSDFCU) continued to provide value for our members and stakeholders throughout 2018. Audits were conducted on schedule by Accume Partners and CliftonLarsonAllen LLP, and found MSDFCU to be a financially sound entity providing significant value to the members and stakeholders.

CliftonLarsonAllen LLP completed the audit of the Credit Union's financial statements, and Accume Partners assessed the internal processes and systems. The results of these audits showed no major issues or concerns in the way MSDFCU is being managed and operated. MSDFCU continues to meet financial, operational, compliance and federal rules and regulations.

The Supervisory Committee continues its role as an independent, objective body ensuring the Credit Union meets its financial reporting objectives and has processes and procedures in place to safeguard member assets. We remain confident MSDFCU is prepared to meet current and future regulatory requirements.

The Supervisory Committee is also charged with and continues to respond to issues, comments and suggestions from Credit

Union members and addresses these with the Board of Directors and management team, when appropriate, to continue to meet the needs of our members.

Our members remain our most valuable stakeholder. Your suggestions for improvements or concerns regarding the operations of your Credit Union are always welcomed by the Supervisory Committee and will receive our prompt and confidential response. These can be submitted via the MSDFCU website or by sending an email directly to the secure email address [supervisorycommittee@msdfcu.org](mailto:supervisorycommittee@msdfcu.org). You may also directly contact any member of the Supervisory Committee.

The committee thanks the Credit Union staff, management team and Board of Directors for their consistent high-quality work and excellent cooperation, collaboration and leadership throughout 2018. We also thank the membership for their confidence in and continued support of MSDFCU. The Supervisory Committee will continue to be a strong advocate for the members and the Credit Union in 2019.

**William Cook**  
Chairman, Supervisory Committee



**WILLIAM COOK**  
CHAIRMAN



**TYRONE EDWARDS**



**JANET KEYSER**



**KEVIN STAUFFER**



# RAYMOND O. HOFFMAN MEMORIAL AWARD RECIPIENTS



HALEY ARNOLD

**Haley Arnold** | Haley, a senior, attends Quakertown Community High School in Quakertown, Pennsylvania. Haley started out volunteering with the Quakertown Branch of the Key Club, running events to raise money for charities. When the Key Club disbanded, Haley ventured out on her own and formed her own community service club named "I Am That Girl." Her passion to make a difference in her community shines through this club. I Am That Girl focuses on support groups that reach out to high school girls who need support from their fellow students. The club's ongoing mission at the school includes hosting events, collaborating with local women's shelters and celebrating the achievements of women, as well as making the school safer and more inclusive for everyone. Haley is involved with many theater programs and volunteered with Varsity Singers, an organization that travels to local nursing homes and performs for the residents.

Kelsey Perkins, a teacher at Quakertown High School, said, "It was in class that Haley exemplified her exceptional character. I quickly learned that Haley is a focused, hard-working individual with strong opinions that she articulates with passion and support."



JULIA DEFUSCO

**Julia DeFusco** | Julia is a senior at Central Bucks High School South in Warrington, Pennsylvania. Julia committed most of her volunteering efforts to the Coalition to Shelter and Support the Homeless. During her time spent volunteering with this local, faith-based organization, Julia also fulfilled her personal goals when she befriended a homeless man named Bruce though their shared love of music. Her additional volunteering time was spent with Mission Kristy Cares, New Britain Baptist Church Food Larder and local softball pitching clinics. Her passion for inspiring young girls and bringing confidence and faith to the lives she encounters was especially shown through her time spent teaching young softball players at pitching clinics.

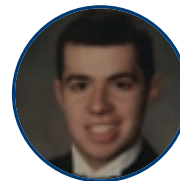
Nicole Saft, English debate teacher at Central Bucks South, commented about Julia, "Her thoughtful approach to all that she is involved in is respected and admired by not only me but by peers and teachers alike. She is a remarkably mature and intellectually capable young woman."



CASSIDY PITTS

**Cassidy Pitts** | Cassidy, a senior, attends Central Bucks West High School located in Doylestown, Pennsylvania. At a young age, Cassidy was introduced to the National Girl's STEM program, and she has been passionate about giving back to her community and making the STEM program accessible to all girls in her local school district ever since. She is vice president of the high school's Girl's STEM Club, which created an elementary afterschool STEM program. Other programs Cassidy has been a part of include the National Honors Society, Rise Against Hunger and Haiti Mission Trip: Poverty Rescue.

Mark Hayden, chemistry instructor at Central Bucks, said, "One thing I will always remember about Cassidy is her pleasant demeanor and maturity. She is consistently positive and is always an asset to have around."



ALEXANDER WILLIAMS

**Alexander Williams** | Alexander Williams, known as AJ, is a senior at Pope John Paul II High School (PJP) in Royersford, Pennsylvania. A great deal of AJ's volunteering involves faith-based organizations such as Community Service Corps and Ministry Team. During his time spent volunteering, AJ was fortunate enough to travel to Massachusetts during the summer and help struggling communities and families with jobs around their homes. AJ also volunteered with Fantastic Friends, his high school's chapter of Best Buddies International, where he would spend his free time with local kids and adults with intellectual and physical disabilities.

Megan Sullivan, director of guidance at PJP High School, said, "Alex is a conscientious student who has earned the respect of peers and faculty alike through his hard work and genuine care for the wellbeing of others."



ALLISON YANG

**Allison Yang** | Allison, a senior, attends North Penn High School in Lansdale, Pennsylvania. Allison devoted most of her time volunteering with Lansdale-Abington Hospital, where she was quickly promoted to a patient ambassador. One of her many highlights was organizing a holiday card drive, where she and members of NPHS Future Health Occupations Club, a group Allison leads, handcrafted cards and delivered them to every patient on her floor. Allison also utilized her bilingual skills on the job. After a new patient, an elderly man who only spoke Chinese, was admitted, Allison was able to help him and the nurse communicate by acting as an interpreter. Her services to the hospital and other organizations have earned her the Prestigious Congressional Award. Allison has also participated in math and science competitions and plays clarinet.

Christopher Cummiskey, mathematics teacher at North Penn High School, shared, "Allison's accomplishments in and out of school are practically unmatched. She has tremendous character and is just a really nice person who is willing to help out in any way she can."